

Flood insurance rate spikes to ripple across Illinois

By Associated Press

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ST. LOUIS — In a western Illinois city that hustles out sandbags every time the Mississippi River acts up, Shawn McNett is among Quincy's fortunate because he's not required to have flood insurance for the three-story home he inherited years ago.

But now that it's up for sale, McNett frets. Buyers don't want to take on the insurance tab that's about to rise like the Mississippi itself for millions of Americans.

Policyholders who have long-enjoyed subsidized rates under the debt-ridden National Flood Insurance Program will see premiums rise steadily in the coming years, despite a rate-relief law signed Friday by President Barack Obama that will soften the blow for those who were hit hardest.

For years, affordable flood insurance was offered for homes and businesses built before there were many rules about building close to the water. But premiums collected have fallen far short of the amount of payouts, putting the program \$24 billion in debt. Congress pressed to change that in 2012, passing a law requiring 1.1 million policyholders to start paying rates based on the true risk of flooding at their properties.

But after public outcry, Congress scaled it back with legislation that would subject affected homeowners to annual premium increases as high as 18 percent until the government is collecting enough to pay out claims. Owners of businesses and second homes face mandatory increases of 25 percent each year — in Illinois, that's 4,000 policy holders — until they start paying a rate based on the actual risk of flooding.

The fallout appears profound in Illinois, partly because of the state's proximity to the Mississippi, Ohio and Illinois rivers and their tributaries.

An Associated Press analysis shows that half of the nearly 49,000 Illinois policies through the program are paying subsidized rates set to rise as those discounts are shaved or eliminated. Those affected include 20,000 holders of primary residential policies facing up to 18 percent increases, though exactly how much is murky. Illinoisans pay \$44 million in premiums.

In 17,000-resident Westchester, west of Chicago, two creeks have been the local nuisance, accounting for two big floods in about four years. Of the village's 341 subsidized policyholders, a whopping 75 percent face higher premiums.

"We understand the government doesn't have any money. But if these houses are 50 to 60 years old and you're adding this extra burden when they're having problems just paying their water bill, how do you expect them to survive?" village president Sam Pulia said. "They might as well live in a park somewhere in a tent, and hopefully someone will bring them food. It's just very sad."

Back in Quincy, that's McNett's conundrum with the place he called home for seven years before relocating to Springfield, where he's taken on a \$100,000 mortgage. The 30-year-old father of two young sons didn't anticipate having any trouble selling the three-bedroom, two-bathroom Quincy place that was briefly swamped last year by a nearby creek and in the Great Flood of 1993.

But the insurance issue has become an albatross.

"We had accepted an offer as soon as it got on the market, but they backed out when they found out about the flood insurance," he said. "Now we're stuck with two houses."

That's a combined \$2,000 a month for both mortgages, leaving McNett and his wife weighing options that include anything from renting out the Quincy home or just letting the bank take it.

"It's put quite a strain on us," he said. "We just can't make two house payments forever."

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